

**California Pollution Control
Financing Authority**



**TAX-EXEMPT BOND
PROGRAM**

**POLLUTION CONTROL TAX-EXEMPT BOND
FINANCING PROGRAM**

**2012 ANNUAL REPORT TO THE
CALIFORNIA STATE LEGISLATURE**

March 2013

About the California Pollution Control Financing Authority:

The California Pollution Control Financing Authority (CPCFA) provides California businesses with a reasonable method of financing pollution control facilities and fosters compliance with government imposed environmental standards and requirements. Over the last forty years CPCFA has evolved to meet California's needs as follows:

- For solid waste, recycling, water and wastewater projects through its Tax-Exempt Bond Program.
- For small businesses through the California Capital Access Program.
- With the reuse and redevelopment of brownfields through the California Recycle Underutilized Sites Program.
- With financial assistance to cities and counties in their community planning and development efforts through the Sustainable Communities Grant and Loan Program.

CPCFA consists of:

Bill Lockyer, Chair
State Treasurer

John Chiang
State Controller

Ana J. Matosantos
Director of Finance



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Pollution Control Tax-Exempt Bond Financing Program 2012 Annual Report

PROGRAM SUMMARY

The Pollution Control Tax-Exempt Bond Financing Program (the “Program”) stimulates environmental cleanup, economic development and job growth throughout the state of California. The Program allows California businesses to meet their growth and capital needs by providing access to low-cost financing through private activity tax-exempt bonds that provide qualified borrowers with lower interest borrowing costs than conventional financing.

In addition, CPCFA provides a Small Business Assistance Fund (SBAF) to pay for some of the costs of issuance of tax-exempt bonds issued on behalf of certain small businesses. The assistance reduces the net cost of financing tax-exempt bonds for small businesses. SBAF can pay for letter of credit fees, transaction fees and other costs associated with the issuance of bonds.

CPCFA staff has chosen two projects from calendar year 2012 which highlight some of the exemplary things being done in the State of California using tax-exempt financing. Poseidon Resources Channelside LP and the San Diego County Water Authority Financing Agency applied to CPCFA as co-applicants to finance \$733 million for the Carlsbad Desalination Plant in San Diego County. This transaction is the second largest in CPCFA history which dates back to 1972. The second highlighted project is by eCullet, Inc., a glass recycling facility located in the Bay Area. eCullet, Inc. uses advanced technology and processing systems to remove contaminants from broken waste glass, which is then sorted by glass color. This process results in high quality cullet product – the broken or waste glass that has been melted down - to be reused by glass container manufacturers to produce new glass containers.

PROJECT HIGHLIGHTS

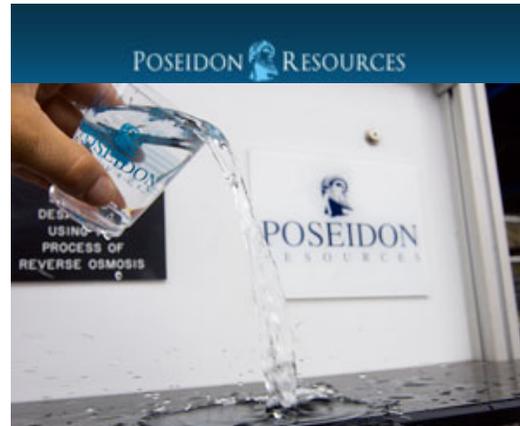
Poseidon Resources (Channelside) LP and the San Diego County Water Authority Financing Agency Issued Bonds worth \$733 million for the Carlsbad Desalination Project

Poseidon Resources Channelside LP (“Poseidon”) specializes in the development and financing of water infrastructure and water supply projects. Poseidon employs a specific combination of engineering, technology, contracting and financial tools designed to best suit the needs of the client and the requirements of the project.

The San Diego County Water Authority Financing Agency is a joint powers entity formed by the San Diego County Water Authority and the California Municipal Finance Authority for the purpose of assisting the financing of capital projects of the Water Authority.

As co-applicants, Poseidon and the San Diego County Water Authority Financing Agency applied to CPCFA for the issuance of tax-exempt water revenue bonds to

finance the construction of the Carlsbad Desalination Plant and associated water delivery pipelines, located in San Diego County.



The Carlsbad Desalination Project consists of constructing a reverse-osmosis seawater desalination plant with an average operating capacity of 50 million gallons per day and associated water delivery pipelines. The desalination plant will take raw sea water from the Encina Power Station cooling water system, produce potable drinking water for transmission to the regional water supply system, and discharge concentrated seawater back into the power plant cooling water discharge channel for dilution and discharge back into the ocean. The water delivery pipelines will be located underground through easements obtained with the California Department of Transportation and the Cities of Carlsbad, Vista, and San Marcos through the rights of the San Diego County Water Authority to

access public rights of way and through a license agreement with the North County Transportation District to access its right of way. Approximately 10 miles of new conveyance pipelines along with upgrades to existing pipelines will connect to the existing water delivery systems of the San Diego County Water Authority and supply water throughout San Diego County.

The bond issuances of \$530,345,000 in tax-exempt private activity bonds and \$203,215,000 in governmental purpose bonds totaling over \$733 million closed on December 24, 2012. This transaction is the second largest in the history of CPCFA, which dates back to 1972.

Construction of the facility commenced on December 28, 2012 with grading beginning on the site. The Carlsbad Desalination Plant is anticipated to be completed in late 2015 with operations to begin shortly thereafter.



eCullet, LLC Issued Bonds worth \$5,485,000

eCullet, LLC was founded in 1999 in Palo Alto, California. The company provides waste glass recycling services to the waste industry in the greater Bay Area in addition to facilities servicing customers in Washington, New York, and Minnesota.



eCullet utilizes advanced technology and processing systems to remove contaminants from broken waste glass and sort the glass by color. This process produces high quality cullet – the broken or waste glass that has been melted down - to be reused by glass container manufacturers to produce new glass containers. This results in reduced energy costs and increased furnace life in the manufacturing of new glass containers while diverting post-consumer waste away from landfills.



CPCFA issued tax-exempt revenue bonds on September 10, 2012 in the amount of \$5,485,000 on behalf of eCullet, LLC to finance the acquisition, construction and installation of facilities and equipment for the recycling of glass and related solid waste materials. The equipment included conveyors, sorters, loaders, waste handling and sorting equipment and various other components.



REPORT OF 2012 ACTIVITIES

This report of activities for the California Pollution Control Tax-Exempt Bond Financing Program is submitted pursuant to Health and Safety Code Section 44538 for the calendar year ending December 31, 2012.

1. APPLICATIONS RECEIVED

Authority staff received 9 new applications for a total dollar amount of \$129,180,000. (See [Table 1](#))

2. INITIAL RESOLUTIONS ADOPTED

The Authority took initial action on 10 applications for a total dollar amount of \$159,715,000. (See [Table 2](#))

3. FINAL RESOLUTIONS ADOPTED

The Authority took final action to approve the sale of bonds on 10 applications for a total dollar amount of \$946,564,000. (See [Table 3](#))

4. BONDS SOLD

The Authority sold 10 tax-exempt bond issues for a total of \$840,124,000. (See [Table 4](#))

5. PROJECTED NEEDS AND REQUIREMENTS FOR 2013

The Authority has sufficient funds to operate its programs for the coming year and has no need for General Fund assistance.

6. ANALYSIS OF CHANGE IN CASH BALANCE FOR FISCAL YEAR ENDED JUNE 30, 2012.

The Authority's cash balance for fiscal year 2011/2012 decreased by \$1,212,697. The Authority's ending balance for fiscal year 2011/2012 is \$27,083,068. (See [Table 5](#))

Table 1

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

APPLICATIONS RECEIVED IN 2012

APPL. NO.	DATE RECEIVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
857	03/14/2012	California Waste Recovery Systems, LLC	SWD*	\$5,000,000
858	05/13/2012	NASA Services, Inc.	SWD	\$15,900,000
859	05/10/2012	Agri Service, Inc.	SWD	\$3,065,000
860	06/15/2012	California Waste Solutions, Inc.	SWD	\$66,000,000
861	06/27/2012	Zero Waste Energy, LLC	SWD	\$2,000,000
862	06/27/2012	Atlas Disposal Industries, LLC	SWD	\$6,775,000
863	07/19/2012	Alameda County Industries, LLC	SWD	\$10,275,000
864	09/14/2012	Blue Line Transfer, Inc.	SWD	\$10,165,000
865	11/27/2012	Menlo Energy, LLC	SWD	\$10,000,000
			TOTAL:	<u>\$129,180,000</u>

* Solid Waste Disposal

Table 2

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

INITIAL RESOLUTIONS (IR) ADOPTED IN 2012

IR NO.	DATE APPROVED	APPLICANT NAME	PROJECT TYPE	AMOUNT
12-01	01/17/2012	United Pacific Waste	SWD*	\$31,535,000
12-02	01/17/2012	Flex OC Renewables, LLC	SWD	\$9,000,000
12-03	04/17/2012	California Waste Recovery Systems, LLC	SWD	\$5,000,000
12-04	05/15/2012	NASA Services, Inc.	SWD	\$15,900,000
12-05	06/19/2012	Agri Service, Inc.	SWD	\$3,065,000
12-06	07/17/2012	California Waste Solutions, Inc.	SWD	\$66,000,000
12-07	07/17/2012	Zero Waste Energy, LLC	SWD	\$2,000,000
12-08	07/17/2012	Atlas Disposal Industries, LLC	SWD	\$6,775,000
12-09	08/21/2012	Alameda County Industries, LLC	SWD	\$10,275,000
12-10	10/16/2012	Blue Line Transfer, Inc.	SWD	\$10,165,000
			TOTAL:	<u>\$159,715,000</u>

*Solid Waste Disposal

Table 3

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

FINAL RESOLUTIONS (FR) ADOPTED IN 2012

DATE APPROVED	FR NO.	APPLICANT NAME	PROJECT TYPE	AMOUNT
03/20/2012	518	Zero Waste Energy Development Company LLC	SWD*	\$32,390,000
06/19/2012	523	Metropolitan Recycling, LLC	SWD	\$12,120,000
08/21/2012	524	California Waste Recovery Systems, LLC	SWD	\$7,610,000
08/21/2012	521	eCullet LLC	SWD	\$5,485,000
09/18/2012	526	Best Way Disposal Company, Inc.	SWD	\$15,600,000
10/16/2012	527	The Ratto Group of Companies, Inc.	SWD	\$16,500,000
11/13/2012	529	Alameda County Industries AR, Inc.	SWD	\$10,275,000
11/13/2012	528	NASA Services, Inc.	SWD	\$6,584,000
11/30/2012	515	Poseidon Resources (Channelside) LP	WF**	\$570,000,000
11/30/2012	530	San Diego County Water Authority	WF	\$270,000,000
		TOTAL:		<u>\$946,564,000</u>

*Solid Waste Disposal

**Water Furnishing

Table 4

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

BONDS SOLD IN 2012

CLOSING DATE	BOND SHORT NAME	PROJECT TYPE	AMOUNT OF ISSUE	BEGINNING INTEREST RATE	MODE
06/06/2012	Zero Waste Energy Development Co. LLC	SWD*	\$32,390,000	.24	Weekly
07/18/2012	Metropolitan Recycling, LLC	SWD	\$12,120,000	.24	Weekly
08/30/2012	California Waste Recovery Systems, LLC	SWD	\$7,610,000	.22	Weekly
09/10/2012	eCullet LLC	SWD	\$5,485,000	12.00	Fixed
10/10/2012	Best Way Disposal Company, Inc.	SWD	\$15,600,000	.50	Weekly
11/02/2012	The Ratto Group of Companies, Inc.	SWD	\$16,500,000	.26	Weekly
11/30/2012	NASA Services, Inc.	SWD	\$6,584,000	2.50	Monthly
12/05/2012	Alameda County Industries AR, Inc.	SWD	\$10,275,000	.41	Weekly
12/24/2012	Poseidon Resources (Channelside) LP	WF**	\$530,345,000	5.00	Fixed
12/24/2012	San Diego County Water Authority	WF	\$203,215,000	5.00	Fixed
		TOTAL:	<u>\$840,124,000</u>		

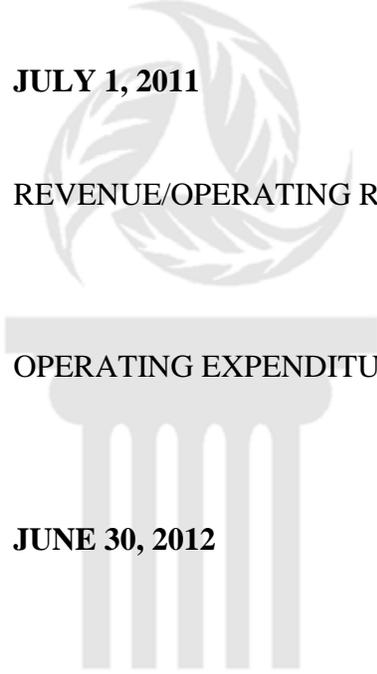
*Solid Waste Disposal

**Water Furnishing

Note: All bond sales negotiated.

CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY

**ANALYSIS OF CHANGE IN CASH BALANCE
FISCAL YEAR ENDED JUNE 30, 2012**



CASH BALANCE	JULY 1, 2011	\$28,295,765
ADDITIONS:		
	REVENUE/OPERATING REVENUE	\$26,310,671
DEDUCTIONS:		
	OPERATING EXPENDITURES	\$27,523,368
CASH BALANCE	JUNE 30, 2012	<u>\$27,083,068</u>